

Message Text

CONFIDENTIAL

PAGE 01 HAVANA 00481 230352Z
ACTION ARA-14

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C O N F I D E N T I A L HAVANA 0481

EO 11652: GDS
TAGS: ETRD EEWT EPAP EAID CU GE
SUBJ: CUBAN-GDR ECONOMIC RELATIONS

1. USINT OFFICER, FEBRUARY 21, CALLED ON KURT BRANSCH, COMMERCIAL COUNSELOR OF GDR EMBASSY, TO DISCUSS CUBAN-GDR RELATIONS. BRANSCH POINTED OUT THAT GDR IS CUBA'S SECOND LARGEST TRADE PARTNER.

2. BRANSCH STATED THAT TOTAL VOLUME OF GDR-CUBAN TRADE AND "ECONOMIC COLLABORATION" (THAT IS, EAST GERMAN CONSTRUCTION OF WHOLE PLANTS IN CUBA) WOULD REACH 225 TO 230 MILLION RUBLES IN 1978. THIS REPRESENTS A SEVEN PERCENT INCREASE IN VOLUME OVER 210 MILLION RUBLE FIGURE FOR 1977. BRANSCH NOTED THAT 1977 TO 1978 SEVEN PERCENT INCREASE FOLLOWED A THIRTEEN PERCENT INCREASE FROM 1976 TO 1977 AND A TWENTY-ONE PERCENT INCREASE FROM 1975 TO 1976. (FYI BRANSCH INDICATED THAT GDR STATISTICS DID NOT DIVIDE "ECONOMIC COLLABORATION" ACTIVITIES FROM ORDINARY TRADE. HOWEVER, "ECONOMIC COLLABORATION" ACTIVITIES ARE MANAGED CENTRALLY IN BERLIN BY INVESTEXPORT. END FYI)

3. WHILE DECLINING TO CITE SPECIFIC FIGURES, BRANSCH
CONFIDENTIAL

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PAGE 02 HAVANA 00481 230352Z

SAID THAT GDR EXPORTS TO CUBA USUALLY CONSIST OF SIXTY PERCENT MACHINERY, THIRTEEN PERCENT CHEMICALS, TWENTY PERCENT CONSUMER ITEMS, FOUR PERCENT FOODS, AND THREE PERCENT PRIMARY MATERIALS SUCH AS METALS (PARTICULARLY IRON).

4. BRANSCH SAID THAT CUBAN EXPORTS TO EAST GERMANY IN 1978 WILL CONSIST OF 205 THOUSAND TONS OF SUGAR (UP MORE THAN

TEN PERCENT FROM 190 THOUSAND TONS IMPORTED BY GDR IN 1977), 1050 TONS OF NICKEL OXIDE/SINTER, 50 THOUSAND TONS OF CITRUS (TRANSPORTED ON THREE REFRIGERATED GDR SHIPS), 2 THOUSAND HECTOLITERS OF ALCOHOL, PLUS VARIOUS VEGETABLES.

5. GDR, BRANSCH ADDED, EXPORTS TO CUBA ON THREE PAYMENT BASES - "ECONOMIC COLLABORATION" (THAT IS, WHOLE PROJECTS) ARE FINANCED BY TEN YEARS "STATE" CREDITS AT TWO PERCENT INTEREST. SOME CATEGORIES, PRINCIPALLY MACHINERY, ARE SOLD FOR "COMMERCIAL" CREDIT WITH THREE TO FOUR YEAR REPAYMENT PERIOD AT FOUR TO SIX PERCENT INTEREST. OTHER TRADE ITEMS (CHEMICALS AND CONSUMER GOODS WERE CITED) ARE SOLD ON "CURRENT COMMERCE" TERMS, THAT IS, PAYMENT IN YEAR OF PURCHASE.

6. WITH REGARD TO "STATE" CREDITS, PAYMENT FOR EACH PRODUCTION LINE WITHIN A GIVEN PLANT BEGINS TWELVE MONTHS AFTER INSTALLATION OF EACH LINE. BUT, IN NO CASE CAN BEGINNING OF PAYMENT BE DELAYED BEYOND TWO YEARS AFTER DATE OF DELIVERY. (ACCORDING TO BRANSCH, GDR IN PAST HAS DELIVERED EQUIPMENT THAT HAS NOT BEEN INSTALLED PROMPTLY.) BRANSCH SAID THAT GDR IS CURRENTLY RECEIVING, ON PUNCTUAL BASIS, CUBAN GOODS BOTH FOR REPAYMENT OF "STATE" AND "COMMERCIAL" CREDITS. HE DID NOT SPECIFY WHETHER THESE GOODS WERE INCLUDED IN PARA 2 GLOBAL FIGURES, NOR WOULD HE INDICATE REPAYMENT SCHEDULE.
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PAGE 03 HAVANA 00481 230352Z

7. WITH REGARD TO PRICES OF GDR EXPORTS AND IMPORTS, BRANSCH SAID THAT GDR-CUBAN 1975 PRICES (WHICH, HE SAID, IN MOST CASES, WERE IDENTICAL WITH 1973 PRICES) WILL BE USED AS PRICE BASIS UNTIL 1980. HE SAID THAT NEW PRODUCTS EXPORTED OR IMPORTED FOR FIRST TIME AFTER 1975 ARE PRICED IN ACCORDANCE WITH AVERAGE "WORLD" (PRESUMABLY FREE MARKET) PRICE BETWEEN 1971 AND 1975.

8. CONCERNING CURRENT EAST GERMAN "ECONOMIC COLLABORATION" PROJECTS HERE, BRANSCH SAID THAT MOST IMPORTANT ARE CIENFUEGOS CEMENT PLANT WHICH WILL BE COMPLETED IN 1980, CIENFUEGOS WHEAT MILL WHICH WILL BE FINISHED IN 1979-80, AND MARIANAO INDUSTRIAL OXYGEN PLANT. BRANSCH SAID THAT CONSULTATIONS WILL BEGIN SOON IN BERLIN REGARDING MANNER IN WHICH TO PROCEED IN DEFINING SCOPE OF "ECONOMIC COLLABORATION" IN 1981-85.

9. CONCERNING LONG-TERM SUGAR PERSPECTIVES, BRANSCH STATED THAT GDR, DESPITE FACT THAT IT IS NET SUGAR EXPORTER, WILL PROBABLY CONTINUE TO INCREASE PURCHASES OF CUBAN CANE SUGAR, REACHING PROBABLE LEVEL OF 250 THOUSAND TONS OF

IMPORTS IN 1980. (BRANSCH STATED ADAMANTLY THAT GDR NEVER
RE-EXPORTS CUBAN SUGAR.) WHILE RELUCTANT TO MAKE PREDICTION,
BRANSCH
FELT THAT GDR, DESPITE ABILITY TO SATISFY CONSUMPTION WITH
DOMESTIC PRODUCTION, WOULD CONTINUE TO IMPORT MAJOR
QUANTITIES OF CUBAN SUGAR AFTER 1980 AS HEDGE AGAINST
BAD WEATHER.

10. COMMENT: GDR WILLINGNESS TO INCREASE TRADE IN
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COMMODITY (SUGAR) IN WHICH IT IS GENERALLY WELL-SUPPLIED
FROM DOMESTIC PRODUCTION, AND TO CONTINUE TO APPLY
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CONFIDENTIAL

PAGE 04 HAVANA 00481 230352Z

PRICE SCHEDULE WHICH IS DISADVANTAGEOUS (PARTICULARLY IF 1973
PRICES GENERALLY SERVE AS BASE), MAY BE ILLUSTRATIVE
OF FAVORABLE GESTURES WHICH CUBANS STATE THEY ARE RECEIVING
FROM SOVIET UNION AND ORTHODOX EE THIS YEAR.
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